

Message Text

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ORIGIN TRSE-00

INFO OCT-01 EA-06 ISO-00 ARA-06 SP-02 AID-05 EB-07 NSC-05

CIEP-01 SS-15 STR-01 OMB-01 CEA-01 CIAE-00 DODE-00

PM-03 H-01 INR-07 L-02 NSAE-00 PA-01 PRS-01 USIA-06

COME-00 FRB-03 XMB-02 OPIC-03 LAB-04 SIL-01 IO-10

/095 R

TX-387

DRAFTED BY TREAS:EMEIGHER/CLOHMANN:CU

APPROVED BY EB/IFD/ODF:RSGELBARD

TREAS:JBUSHNELL

ARA/ECP:WKNEPPER

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R 131931Z FEB 75

FM SECSTATE WASHDC

TO AMEMBASSY TOKYO

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E.O. 11652:N/A

TAGS: EFIN, IDB, JA

SUBJECT: MEETING WITH JAPANESE OFFICIALS ON IDB NON-REGIONAL MEMBERSHIP

REFS: (A) STATE 3602; (B) TOKYO 338

1. ON JANUARY 16, DEPUTY ASSISTANT SECRETARY BUSHNELL MET WITH MESSRS. SAWANO (MOF), HAMAMOTO (MOFA), AND KAYA
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(JAPANESE EMBASSY) TO DISCUSS PROPOSED U.S. AMENDMENTS TO IDB CHARTER AND GENERAL RULES. SAWANO WHO MOST ACTIVE IN DISCUSSION EMPHASIZED THAT HE WAS NOT IN POSITION TO NEGOTIATE

TIATE AND THAT WHEN FORMAL PROPOSAL MADE BY BANK, GOJ WOULD EXPRESS OFFICIAL VIEWS. MAIN TOPICS OF CONCERN TO JAPANESE WERE AS FOLLOWS:

(A) IF USG SUBSCRIBES TO CALLABLE INTER-REGIONAL CAPITAL (IRC) WITHOUT PRIOR APPROPRIATION, IN EVENT IRC CALLED, WOULD NON-REGIONAL COUNTRIES (NRC) HAVE TO BEAR ENTIRE BURDEN UNTIL FUNDS APPROPRIATED BY CONGRESS?

(B) TERMS AND CONDITIONS UNDER WHICH REGIONAL COUNTRIES WOULD SUBSCRIBE TO IRC, SPECIFICALLY PROPORTION BETWEEN PAID IN AND CALLABLE CAPITAL.

(C) PROPORTION BETWEEN CONTRIBUTIONS TO SOFT WINDOW FUND FOR SPECIAL OPERATIONS (FSO) AND SUBSCRIPTIONS TO IRC.

(D) U.S. PROPOSAL TO ELIMINATE SPECIAL QUORUM FOR SUBSCRIPTION TO IRC AND SUBSTITUTE PROPOSAL (SEE REFTTEL A PARA. 4).

(E) MAINTENANCE OF VALUE.

2. ON APPROPRIATIONS OF IRC CALLABLE CAPITAL, IF CALLED, WE MADE FOLLOWING RESPONSE:

(A) U.S. PROCEDURE NOT UNIQUE AND OTHER COUNTRIES, PERHAPS EVEN JAPAN, WOULD HAVE TO GO BACK TO LEGISLATURE FOR APPROPRIATION OF FUNDS, AND, THEREFORE, NO REASON TO SINGLE OUT U.S. REPORTEDLY GOJ METHOD OF OBTAINING FUNDS IS SIMILAR TO U.S. WOULD APPRECIATE EMBASSY CONFIRMATION AND CLARIFICATION. TO EXTENT JAPANESE LEGISLATIVE ACTION WOULD BE REQUIRED IN ORDER TO ACTUALLY DRAW ON CALLABLE CAPITAL, OUR POSITIONS ARE SIMILAR. THIS WOULD IMPLICITLY LEND SUPPORT TO OUR PROPOSAL TO SUBSCRIBE TO CALLABLE IRC WITHOUT APPROPRIATION LEGISLATION.

(B) COMMITMENT ON CALLABLE CAPITAL WOULD BE BACKED BY FULL FAITH AND CREDIT OF USG AND COULD NOT ENVISAGE CONGRESS NOT APPROPRIATING FUNDS.
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(C) IDB GENERAL COUNSEL STATED CALLS COULD BE ANTICIPATED BY AT LEAST SIX MONTHS AND THAT, THEREFORE, SUFFICIENT WARNING WOULD BE GIVEN TO OBTAIN APPROPRIATION.

3. SAWANO MOST CONCERNED WITH PROPORTION BETWEEN CALLABLE AND PAID-IN CAPITAL IF U.S. SUBSCRIBED TO IRC. EXPRESSED SATISFACTION WITH U.S. POSITION THAT 16.5 PERCENT PAID IN TO IRC REGARDED AS FLOOR UNTIL CAPITAL WELL ESTABLISHED AND THAT U.S. WOULD AIM AT 20 PERCENT FOR UPCOMING REPLEN-

ISHMENT. BUSHNELL INDICATED THAT FUTURE REPLENISHMENTS IN WHICH RCS AND NRCS BOTH PARTICIPATE, PROPORTION OF CALLABLE CAPITAL TO PAID-IN WOULD HAVE TO BE NEGOTIATED.

4. WITH REGARD TO RELATIONSHIP BETWEEN CONTRIBUTIONS TO FSO AND IRC, BUSHNELL EXPLAINED THAT MATTER TO BE NEGOTIATED IN UPCOMING REPLENISHMENT AMONG REGIONAL MEMBERS. SAWANO STRONGLY EXPRESSED VIEW THAT SINCE RATIO BETWEEN IRC AND FSO ONE TO ONE, SAME RATIO SHOULD BE USED FOR RCS. BUSHNELL REJECTED THIS HYPOTHESIS POINTING OUT THIS INITIAL NRC CONTRIBUTION AND NRC FSO/OC RATIO NEEDED TO TAKE INTO ACCOUNT PAST HISTORY WHILE NEXT REGIONAL REPLENISHMENT WOULD BE BASED ON BALANCE IN NEEDS AMONG MEMBER COUNTRIES. FSO WILL INCREASINGLY SERVICE NEEDS OF POORER MEMBERS WHILE MORE ADVANCED REGIONAL MEMBERS HOPEFULLY WILL INCREASE THEIR CONTRIBUTIONS TO FSO AND SHIFT THEIR REQUESTS FOR LOANS FROM FSO TO ORDINARY/INTER-REGIONAL CAPITAL. BUSHNELL

SAID HOWEVER, THAT IN VIEW OF PROPOSED SPLITTING OF U.S. CONTRIBUTION BETWEEN OC AND IRC, RATIO BETWEEN IRC AND FSO MIGHT BE ONE TO ONE OR BETTER BUT THAT OVERALL CAPITAL-FSO RATIO WOULD BE MUCH LESS. IN FUTURE REPLENISHMENTS IN WHICH BOTH RCS AND NRCS WOULD BE PARTICIPATING, THE RATIO WOULD PROBABLY BE LESS THAN ONE TO ONE. SAWANO EMPHASIZED THAT HE FELT THAT SINCE THE NRCS HAD CONTRIBUTED ON ONE TO ONE BASIS, REGIONAL COUNTRIES SHOULD DO SAME.

5. ON ELIMINATION OF SPECIAL QUORUM OR SUBSTITUTE PROPOSAL BY THE U.S., KAYA SAID THAT HE HAD NO SUBSTANTIVE PROBLEMS AND THAT HE HAD TRIED TO CONVINCE OTHER JAPANESE OFFICIALS AND OTHER NRCS THAT THE QUESTION WAS REALLY PROCEDURAL AND LIMITED OFFICIAL USE

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NO DISCRIMINATION WAS INVOLVED. AGREEMENT AMONG KAYA, SAWANO AND HAMAMOTO THAT ONLY COSMETIC DIFFERENCE BETWEEN U.S. PROPOSAL TO ELIMINATE SPECIAL QUORUM AND SUBSTITUTE U.S. PROPOSAL. HOWEVER, OPPOSITION TO SUBSTITUTE PROPOSAL APPARENTLY LESS BECAUSE OF LACK OF DISCRIMINATORY FEATURE. YOU MAY INFORM GOJ THAT REGIONAL MEMBERS HAVE ADOPTED THIS ALTERNATIVE AS THEIR (I.E., IDB) PROPOSAL TO NRC.

6. JAPANESE RAISED QUESTION OVER BANK PROPOSAL THAT MOV ON FSO IN FUTURE WOULD BE DETERMINED IN CONNECTION WITH NEGOTIATION OF FUTURE REPLENISHMENTS AS IN IDA. CONCERN WAS WHETHER PROPOSED MIGHT DISCRIMINATE AGAINST THEM IN THAT THEIR INITIAL CONTRIBUTION SUBJECT TO LIMITED MAINTENANCE VALUE. WE POINTED OUT THAT U.S. AND RCS HAD ALSO BEEN SUBJECT TO MAINTENANCE OF VALUE IN PAST AND MOV WOULD CONTINUE ON THEIR PAST CONTRIBUTIONS.

7. FINAL POINT RAISED BY HAMOMOTO WAS THAT JAPANESE CONCERNED WITH ALLOWING EACH COUNTRY TO TIE OWN CONTRIBUTION TO A REPLENISHMENT PER U.S. PROCUREMENT PROPOSAL.

8. COMMENTS: THIS WAS USEFUL EXCHANGE OF VIEWS AND WE RECEIVED IMPRESSION THAT ON SUBSCRIPTIONS TO IRC, SUBSTITUTE PROPOSAL BY U.S. MORE ACCEPTABLE TO JAPANESE THAN INITIAL PROPOSAL RELATING TO THE ELIMINATION OF THE SPECIAL QUORUM. PROBLEMS REMAIN ON PROPORTION IRC/FSO AND PROPORTION PAID-IN TO CALLABLE IN IRC. CLEAR FROM DISCUSSION OF PROPORTIONS THAT JAPANESE VIEW OWN INTEREST AS SOLELY IN IRC AND NOT IN TOTAL CAPITAL RESOURCES OF BANK.

9. PRESUME GOJ NOW PREPARING FOR FEBRUARY 25-26 MEETINGS IN WASHINGTON TO FINALIZE NR PACKAGE. WOULD APPRECIATE ANY INDICATIONS YOU MAY OBTAIN ON GOJ REACTIONS. INGERSOLL

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Message Attributes

Automatic Decaptioning: X
Capture Date: 01 JAN 1994
Channel Indicators: n/a
Current Classification: UNCLASSIFIED
Concepts: MEMBERSHIP, GOVERNMENT REACTIONS, BANK LAW, AMENDMENTS
Control Number: n/a
Copy: SINGLE
Draft Date: 13 FEB 1975
Decaption Date: 01 JAN 1960
Decaption Note:
Disposition Action: RELEASED
Disposition Approved on Date:
Disposition Authority: ShawDG
Disposition Case Number: n/a
Disposition Comment: 25 YEAR REVIEW
Disposition Date: 28 MAY 2004
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
Document Number: 1975STATE033366
Document Source: CORE
Document Unique ID: 00
Drafter: EMEIGH/CLOHMANN:CU
Enclosure: n/a
Executive Order: N/A
Errors: N/A
Film Number: D750054-0236
From: STATE
Handling Restrictions: n/a
Image Path:
ISecure: 1
Legacy Key: link1975/newtext/t19750245/aaaabnzz.tel
Line Count: 185
Locator: TEXT ON-LINE, ON MICROFILM
Office: ORIGIN TRSE
Original Classification: LIMITED OFFICIAL USE
Original Handling Restrictions: n/a
Original Previous Classification: n/a
Original Previous Handling Restrictions: n/a
Page Count: 4
Previous Channel Indicators: n/a
Previous Classification: LIMITED OFFICIAL USE
Previous Handling Restrictions: n/a
Reference: (A) STATE 3602; (B) TOKYO 338
Review Action: RELEASED, APPROVED
Review Authority: ShawDG
Review Comment: n/a
Review Content Flags:
Review Date: 15 JUL 2003
Review Event:
Review Exemptions: n/a
Review History: RELEASED <15 JUL 2003 by ShawDG>; APPROVED <22 DEC 2003 by ShawDG>
Review Markings:

Margaret P. Grafeld
Declassified/Released
US Department of State
EO Systematic Review
05 JUL 2006

Review Media Identifier:
Review Referrals: n/a
Review Release Date: n/a
Review Release Event: n/a
Review Transfer Date:
Review Withdrawn Fields: n/a
Secure: OPEN
Status: NATIVE
Subject: EETING WITH JAPANESE OFFICIALS ON IDB NON-REGION- AL MEMBERSHIP
TAGS: EFIN, JA, US, IDB
To: TOKYO
Type: TE
Markings: Margaret P. Grafeld Declassified/Released US Department of State EO Systematic Review 05 JUL 2006